

**Memorandum**

To: William J. Keese, Chairman and Presiding Member
Arthur H. Rosenfeld, Associate Member

Date: February 14, 2005
Telephone: (916) 654-4206
File: 02-AFC-1

From: California Energy Commission - Bill Pfanner
1516 Ninth Street
Sacramento, CA 95814-5512
Siting Project Manager

Subject: **STATUS REPORT FOR THE BLYTHE II ENERGY PROJECT (02-AFC-1)**

In its Scheduling Order (Appendix A) dated February 4, 2004, the Committee determined that there were several topics in the Preliminary Staff Assessment (PSA) for which the applicant needed to supply data in order for Energy Commission staff to have sufficient information to complete and file its Final Staff Assessment (FSA). The order determined that the information should be submitted by March 22, 2004. The specified information was not provided to the Energy Commission by the required date. Energy Commission staff requested and was granted a day-for-day extension in the schedule until all outstanding information was submitted and complete.

The applicant submitted the last remaining information from the Committee Order on January 20, 2005. Energy Commission staff conducted a PSA Workshop in Blythe on January 26, 2005, and anticipates that the FSA will be published in March 2005, within 60 days of receipt of the last outstanding information identified in the Committee Order.

It is critical to note again to the Committee, as we did in our Status Report of July 9, 2004, that Energy Commission staff has serious concerns that the project, as currently designed, could have significant unmitigated adverse impacts to Water Resources, Traffic and Transportation, and Transmission System Engineering (TSE). Water Resource issues center on the cumulative impact to Colorado River groundwater. Traffic and Transportation issues involve the thermal plumes and related air turbulence caused by the combined Blythe I and Blythe II facilities and concerns expressed by both the Riverside County Airport Land Use Commission and Caltrans Aeronautics Division regarding the appropriateness of the proposed project from a land use perspective and potential impacts to pilots using the Blythe Airport, respectively. TSE concerns are that without the transmission system impact studies from Western Area Power Administration (Western) and Southern California Edison (SCE), Energy Commission staff and the California Independent System Operator (CAISO) cannot determine whether the project will comply with laws, ordinances, regulations, and standards (LORS) and if the project will adversely impact system reliability. Energy Commission staff is also aware that in the past year changes have been proposed to the project's interconnection to the transmission system.

The following provides an update of the status of the outstanding information necessary to complete the FSA and a discussion of the project's major unresolved issues.

PROOF OF SERVICE (REVISED 11-24-03) FILED WITH

ORIGINAL MAILED FROM SACRAMENTO ON 2-14-05

INFORMATION REQUIREMENTS IN THE COMMITTEE ORDER

Biological Resources: Per the Committee Order, the applicant shall coordinate with the City of Blythe and confirm whether there will be any project related activities outside the BEP II fence-line. Following the City's determination, the applicant may provide a concurrence letter from the U.S. Fish and Wildlife Service (USFWS).

Status: The City of Blythe has stated that there will be no project impacts outside the BEP II fence. Energy Commission staff discussed this matter with USFWS and Western (the Federal lead agency) in order to determine the status of the project and what actions will be necessary to ensure that all mitigation measures are appropriately identified and LORS are met. USFWS and Western stated that they concur with the City of Blythe that there will be no off-site impacts. USFWS provided Energy Commission staff with an Informal Endangered Species Consultation determination on January 20, 2005, concluding that BEP II "may affect; not likely to adversely affect" endangered or threatened species. This provides the information needed to complete the biological analysis in the FSA.

Cultural Resources: Per the Committee Order, the City of Blythe shall determine through their Project Review Committee (PRC) whether there would be ground disturbing activities required outside of the project site (such as a new access road or widening existing roads) that could affect cultural resources.

Status: The PRC has responded that there will be no project related activities outside the BEP II fence-line. However, a Community Benefits Agreement adopted on July 13, 2004, between Blythe II and the City of Blythe, identifies a donation of \$1,300,000 to pay for off-site improvements, such as road widening, airport improvements, new infrastructure, and miscellaneous physical improvements. Energy Commission staff made several attempts to obtain information on how this money will be used and if the improvements made are directly attributed to the Blythe II project. The City of Blythe has responded to these inquiries by stating that they have not yet determined how the money will be spent and it is their opinion that the projects for which the money will ultimately be used are not intended to mitigate for the Blythe II project, and are thus unrelated to the project. In the interest of moving forward with our analysis, staff has elected to analyze the project's impacts using information currently available. Any projects undertaken by the City of Blythe under the Community Benefits Agreement will undergo environmental review by the city as deemed necessary.

INFORMATION CAITHNESS AGREED TO PROVIDE (NOT SPECIFICALLY IDENTIFIED IN SCHEDULING ORDER)

Transmission System Engineering: At the January 22, 2004 Status Conference, and in subsequent conversations with Energy Commission staff, the applicant stated on the record that they would provide certain necessary information. This includes information on the interconnection request with Western and the request to terminate with SCE. While the interconnection request with Western was provided, the request to terminate with SCE has not been provided. Additionally, Energy Commission staff understands

that the applicant has requested from the CAISO interconnection to the existing Devers Palo Verde I (DVP I) line. This would be a transmission configuration that is not described in the record, with no studies, determination of impacts, or mitigation presented.

Stability and Short Circuit Studies

At the Blythe Area Regional Transmission (BART) stakeholder meeting held April 2, 2004, copies of Stability and Short Circuit Studies, prepared by a consultant to BEP II, were distributed to Energy Commission staff. However, the BART studies are not complete until breaker ratings are provided. Both Energy Commission staff and the applicant have requested the adjacent utilities to provide breaker ratings. Because the BART study is inadequate, and because of recent changes in the transmission system (see below – Additional Information Needed For A Complete FSA), the Energy Commission staff lacks the necessary information to complete its TSE analysis.

Verification of Mitigation Measures for System Reliability Criteria Violations

Documentation of consensus (e.g., letters from the stakeholders SCE, Western, Imperial Irrigation District (IID), and CAISO) and verification of mitigation measures for system reliability criteria were not provided. Because of recent changes in the transmission system (see below – Additional Information Needed For A Complete FSA), the submittal of the documentation of consensus at this time will not provide Energy Commission staff with the necessary information to complete its TSE analysis.

Devers Import Nomogram

Energy Commission staff agrees with the applicant that the East of River (i.e., Colorado River) /Southern California Import Nomogram T-103 Version 6.1, dated February 6, 2004), is adequate mitigation for the impacts shown by the BART study subject to written verification by the applicable transmission stakeholders and the CAISO. However, this mitigation may not be adequate for impacts shown in a Western or SCE System Impact Study (SIS). Additionally, as noted above, no study, determination of impacts, or mitigation measures are available for the new termination point(s) requested by the applicant.

ADDITIONAL INFORMATION NEEDED FOR A COMPLETE FSA

Transmission System Engineering

Extensive time has elapsed since the preparation of the PSA and it appears that the applicant may have lost its original place in the Western and CAISO generation/transmission queue or failed to establish a position. Therefore, the BEP II project is now behind the Blythe I Transmission Line project¹ and the Devers Palo Verde II project (DVP II) in terms of the interconnection queue for both Western and

¹ The Blythe I project consists of (a) a 67-mile 230 kV line from Buck Boulevard Substation terminating at the Julian Hinds Substation, or b) a 7-mile 230 kV line terminating at a new Midpoint Substation which connects to the existing Devers Palo Verde I line, or (c) installation of both (a) and (b).

SCE/CAISO, and for interconnection to SCE's Devers Palo Verde 1 line (DPV1). The existence of the Blythe I Transmission Line Project, its proposed connection to DPV1 and the Julian Hinds substation, and changes in loads and the generation/transmission queue will significantly change the transmission assumptions used in the Blythe II case. Energy Commission staff has also been informed that Blythe II has filed for interconnection at the Buck Substation (Western) and on DPV1 (CAISO/SCE). Given that two major projects are in front of Blythe II, and the applicant's interconnection filing has introduced a new factor, this project must be completely restudied. We have been advised that BEP II will not be analyzed for a System Impact Study (SIS) by Western and SCE until the configuration for the Blythe I Transmission modifications are well determined (SCE is presently revising the SISs done for BEP I transmission line amendment).

Because staff does not have an accurate description of the project and up to date System Impact Studies for preparing the FSA, staff is preparing a Motion to Compel to obtain this information for the Evidentiary Hearing. This motion will request the applicant to update their project description and provide System Impact Studies prepared by Western and SCE based on a new transmission system description.

Air Resources

At the PSA Workshop on January 26, 2005, it was identified that the Authority to Construct (ATC) permit issued by the Mojave Desert Air Quality Management District (MDAQMD) has expired. Energy Commission staff views a valid ATC as a necessity. It was also identified that the Air Quality conditions to be included in the BEP II FSA will strive to be consistent with the recent Prevention of Significant Deterioration (PSD) Permit issued by the United States Environmental Protection Agency (USEPA) for the operating BEP I power plant, which currently do not match the conditions included in the Final Determination Of Compliance (FDOC) issued by the MDAQMD. Energy Commission staff intends to move ahead and issue an FSA without waiting for a final version of the ATC or FDOC. However, it is important that BEP II work with the MDAQMD to update their ATC and FDOC.

Airport Safety

The Energy Commission staff has compiled data on aviation safety concerns (letters from pilots, turbulence associated with thermal plumes, data on cooling tower vapor plumes, etc.) and conducted test flights over the existing Blythe I facility. This information was submitted to the City of Blythe, the Blythe II applicant, the operating Blythe I facility and Caltrans Aeronautics Division on March 18, 2004, with a request for comments, conclusions, and implementation of mitigation measures regarding potential safety hazards. On March 24, 2004, Energy Commission staff received a response from Caltrans Aeronautics which stated: "In general, we do not recommend construction of this facility [Blythe II] at the proposed location. It may exacerbate existing concerns identified by pilots using the airport." Further, the Riverside County Airport Land Use Commission (ALUC) has recommended a finding of noncompliance with the Comprehensive Land Use Plan (CLUP) for the Blythe II project at the proposed location.

(Note: the Blythe City Council voted to over-ride the ALUC's finding of inconsistency for BEP II relative to the Blythe Airport.)

Mitigation measures have been proposed in letters from the City of Blythe, Blythe I, Blythe II and Caltrans Aeronautics to address the problem, and actions are being implemented. However, Caltrans Aeronautics states in its letter: "These recommendations should be considered 'corrective action' for an existing facility (Blythe I), rather than 'proactive' for a planned one (Blythe II). The focus of compatible land use planning in the vicinity of an airport should not be limited to 'reducing significant/adverse impacts', but avoiding them in the first place." Staff believes that as the State's expert on issues of aviation safety, the Commission's regulations direct that the analysis/conclusion/recommendation of Caltrans Aeronautics be accorded due deference.

Water Resources: The PSA concludes that the proposed use of groundwater to cool the BEP II plant would cause a significant cumulative impact to California's water resources from the Colorado River. Energy Commission staff recommended that the applicant provide an amendment to the AFC changing the project to dry cooling. The applicant has elected to pursue approval of a project with a wet cooling system, with a "voluntary" plan of fallowing croplands through a Water Conservation Off-Set Program (WCOP). Because the applicant does not want the WCOP to be a binding mitigation measure, Energy Commission staff must assume that the project's use of cooling water is unmitigated.

However, the definition of the WCOP as "voluntary" is further confused by the fact that the Bureau of Reclamation's letter to the Energy Commission dated June 14, 2002, specifically identifies the WCOP as "criteria" for addressing their objectives for selection and management of lands to account for water use and prevent increased Colorado River water demands in the Lower Basin. The Bureau of Reclamation's "criteria" specifically states: The WCOP must be in effect upon commercial operation of the BEP II plant and remain in effect for the life of the power plant.

The applicant's intent of developing the WCOP as a "voluntary" component of the BEP II project creates other problems for the FSA. The PSA requested detailed information from the applicant on the WCOP, including dust generated from fallowed land (Air Quality); the specific location, farmland classification and irrigation status of fallowed land; (Land Use) and impacts to farm labor, and services (Socioeconomic). The applicant has declined to provide this information because at this time, they do not know specifically where the fallowed land will be located. Therefore, to complete the FSA, Energy Commission staff will have to make assumptions based on what is known of the WCOP, and identify potential impacts accordingly.

A PROPOSED SCHEDULE FOR THE REMAINDER OF THE PROCEEDING

The BEP II PSA has been circulated for review and comment. Energy Commission staff held a PSA workshop on January 26, 2005, and the outstanding information from the Scheduling Order (Appendix A) has been received. We anticipate that an incomplete FSA will be published in mid-March 2005.

As noted above, Energy Commission staff has significant concerns with the project as currently designed in the areas of Water Resources (Colorado River ground water basin), Traffic and Transportation (airport impacts and land use conformity), and TSE (incomplete project description and a revised transmission configuration which is different than proposed in the AFC). Further, the FSA's analysis of the WCOP could identify significant indirect impacts to Air Quality (dust from fallowed land); Land Use (loss of farmland); and Socioeconomic (impacts to farm labor and services). Thus, an FSA prepared with the information we have now would be incomplete, is likely to identify significant unmitigated environmental impacts, and would be unable to recommend Certification by the Commission

cc: Docket (02-AFC-1)
Proof of Service List

**BEFORE THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT
COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of:

**Application for Certification for the
BLYTHE ENERGY PROJECT- PHASE II**

Docket No. 02-AFC-1

**PROOF OF SERVICE
(Revised on 11/24/03)**

I, **Evelyn M Johnson**, declare that on **February 14, 2005**, I deposited copies of the attached **Status Report of BEP II**, in the United States mail at **Sacramento, CA** with first class postage thereon fully prepaid and addressed to the following:

DOCKET UNIT

***Send the original signed document plus the
required 12 copies to the address below:***

CALIFORNIA ENERGY COMMISSION
DOCKET UNIT, MS-4
Attn: Docket No. 02-AFC-1
1516 Ninth Street
Sacramento, CA 95814-5512

* * * *

In addition to the documents sent to the
Commission Docket Unit, also send individual
copies of any documents to:

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I declare under penalty of perjury that the foregoing is true and correct


[signature]

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